

## Surviving the Recession

by Paul Eldrenkamp

**W**e're in the midst of unprecedented uncertainty in the financial markets, and consumer confidence is the lowest it's been in a long time. It seems that no one really knows what's going to happen. We may be facing a serious recession, or worse; we may just be undergoing a bizarre blip, to be followed by a quick return to business as usual. Either way, here are some ideas about how to handle the uncertainty.

### Do a Reality Check

Many economists actually like the occasional recession (up to a point) because it purges the marketplace of marginal players. Some of us spent the last 15 or so boom years coasting on the good times instead of building a durable business. If there's a chance you're one of those marginal players, it may be time to do some soul-searching: Do you really have what the bankruptcy lawyers call "an ongoing concern" — or are you putting your future clients at risk by taking on new business when you're living on borrowed time?

If there's any doubt in your mind, ask an objective third party — like an accountant or a business coach — how your business looks from the outside and take that opinion to heart. It may be time for a career change.

### Make a Plan and Communicate It To Stakeholders

Assuming you decide you have the resources to get through a potential major recession, you need to have a compelling plan for how you're going to manage that survival, and you need to communicate that plan to your key stakeholders — primarily your crew, but possibly your clients and vendors, too.

A clear, quantifiable plan will inspire confidence from your team. It should be specific and candid about what your needs and goals are and how you'll meet them. "Maintain volume at \$1 million" is not enough; you need something more like "Expand marketing to generate \$1 million in leads per quarter; cultivate sales skills to achieve close rate of 25 percent based on dollar volume."

Even that — though closer — still needs a lot of detail regarding just what you'll do to generate those leads and cultivate those skills.

### Be the Rainmaker

Your primary role as business owner is to ensure a steady flow of quality jobs. When things get slow, anything that detracts you from that role becomes a problem. A down economy is great time to learn to delegate effectively — motivation and the stakes are at their highest.

Think of it as a team-building opportunity. See what you can do internally to get your staff to take some responsibilities off your plate so that you can focus on sales, marketing, and general networking.

### Evaluate Overhead Expenses

Take a close look at all your overhead expenses, as if they were part of an investment portfolio: What sorts of returns are you getting on your budget line items? For instance, what's your rate of return on those company trucks? How does your gross profit per office employee compare with that at other, similar companies?

If you have multiple profit centers (design, construction, and small jobs, for example), do you track each as a profit center and know that each covers its own share of the overhead?

### Provide Superior Client Service

If your crew members are the pleasantest, politest, most reliable, highest-quality people your clients ever deal with, you will do fine in almost any sort of economy. So return calls promptly, keep people informed, keep everything neat and clean, and finish jobs ahead of schedule.

Like all of these recommendations, this has always been good practice — but it's even more important now.

### Diversify

Identify your crew's skills and think about all the kinds of problems they can be applied to. An ability to fix — with real expertise — a range of major household issues will

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help you get through any potential slow times, because even when people are not inclined to do major improvements they'll still want to maintain their primary asset — their home.

A lot of homes built in the last 25 years are having real performance problems: premature rot, chronic paint failure, inadequate insulation, and so on. Knowing what causes these problems *and being able to fix them so that they don't recur* is a market niche with a future. People will pay more if they're confident you're able to do it once and do it right.

### Keep Your Crew Size Steady

Many advisors recommend that you resist the tendency to hang on to your crew as the work dries up. That's good advice — if you have marginal performers. But if your crew is solid top to bottom, there may be some untapped potential there.

Have a company meeting and let everybody know that your first priority is to keep them all on board. Ask for their ideas about how to do that — ways they can help ensure a steady flow of profitable jobs. We sometimes pigeonhole people and neglect to ask them for help because we assume they can't provide it — when in fact they may be our best resource. If you make keeping everybody employed a team commitment, you'll bring a lot more talent to bear on the problem and stand a better chance of meeting the goal.

### Cross-Train Your Workers

One of the key ways you'll get through a downtime is by having a staff that can do pretty much anything you ask them to. Let them know you need them to be flexible and adaptable. Consider taking on tasks you might normally subcontract — painting, roofing, hanging drywall — if you can do them cost-effectively and to a high level of quality.

If you're shifting from a few large jobs

to several small ones, some of your crew might have to start developing management skills they'd never needed before. This is a good opportunity to develop some systems and training procedures for bringing people along. When they have to choose between learning to manage time and communicate effectively or losing their job, most workers are going to be quite willing to learn new skills.

### Provide Financial Training

This is the time for each member of your crew to learn how to read a job budget sheet, a job-cost accounting form, and a company-wide profit-and-loss sheet. If your entire staff knows the bottom line for every one of the company's activities, everyone will help you watch out for it. If you're the only one worrying about the bottom line in a clear, informed fashion, you'll be setting an unnecessarily low ceiling for the effort.

So get the whole team involved. You may find savings and profits where you never dreamed they existed before.

### Don't Forget Past Clients

In 1990, the Boston area was hit by a deep recession. During that time we found we could get a lot of new projects by returning to past jobs to do unsolicited warranty work on past projects. That's when I learned that warranty work is the best marketing investment available.

So if things slow down for you some, consider setting up one of your carpenters to do unsolicited warranty calls for a couple of weeks. You may find that it's like a giant gate valve for new projects — they start flowing as soon as your worker starts providing this free service.

### Cultivate Your Connectors

In his book *The Tipping Point*, Malcolm Gladwell writes about “connectors” as the hubs of social networks. One way to

identify who your most important connectors are is by plotting a “family tree” of your referral sources over the past several years. Make a list of all your projects and who referred them to you, write each job (and source) on a sticky note, and post the notes on a flip chart. Organize the chart like the branches of a tree — the Smith job was a referral from the Joneses, who were a referral from the Wilsons. The White job was a referral from the Blacks, who were also a referral from the Wilsons.

That's two branches that start at the Wilsons. In this way you can identify your most potent lead sources — they're at the root of the biggest branches on your “lead tree,” they're your connectors, and they're probably some of your most loyal fans. Take a group of these people out to dinner and ask for their help and their ideas. It's virtually certain that they'll come through for you.

### Leave No Stone Unturned

There's a range of other efforts that have worked for us, such as public speaking on construction topics for local organizations and consumer groups; community-service projects; display tables at environmental fairs; frequent updates and informative content on the company Web site; a useful and entertaining newsletter with a personal touch. Don't forget these things — but don't limit yourself to them. And be sure to delegate some of the activities to members of your crew so you can focus on other, broader strategies and options.

In short, think like an economist: View a possible recession as a way to clear out not only some of the marginal businesses in your industry, but also many of your own marginal business practices. Handled properly, an economic slump can help you take your whole team to the next level.

*Paul Eldrenkamp owns Byggmeister, a custom remodeling firm in Newton, Mass.*